

## Message Text

UNCLASSIFIED

PAGE 01 JIDDA 05032 01 OF 02 081818Z  
ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 L-03 SSO-00 SP-02 CIAE-00  
INR-10 NSAE-00 INRE-00 /034 W  
-----067277 081851Z /41

O 081700Z JUL 78  
FM AMEMBASSY JIDDA  
TO SECSTATE WASHDC NIACT IMMEDIATE 2620  
DEPT OF TREASURY NIACT IMMEDIATE  
DEPT OF TRANSPORTATION NIACT IMMEDIATE  
INFO USDOC WASHDC  
USLO RIYADH

UNCLAS SECTION 1 OF 2 JIDDA 5032

TREASURY FOR BOWDEN/ISW

DOT FOR DAVENPORT

USLO FOR USREP

E.O. 11652: N:AA  
TAGS: EAID, SA  
SUBJECT: TRANSNET - JOINT EMBASSY-JECOR MESSAGE  
  
REF: ISW TELEX 975

1. EMBASSY-JECOR AGREE THAT MORE DETAILS ARE NEEDED IN  
PROJECT AGREEMENT. WE PROPOSE TO ADD THE FOLLOWING TO  
ARTICLE III AND HAVE AS AN APPENDIX THE FIRST-YEAR BUDGET.  
BEGIN TEXT OF ARTICLE III, SECTION 2:  
DOT PERSONNEL WILL ASSIST THE MOC'S DEPUTY MINISTER  
FOR TRANSPORTATION AFFAIRS IN:  
(1) OVERSIGHT OF A NATIONAL BUS COMPANY;  
(2) DRAFTING AND REVIEWING TRANSPORTATION SECTION OF THE  
THIRD FIVE-YEAR PLAN UNDER THE JURISDICTION OF THE DEPUTY MINISTER  
OF TRANSPORT;  
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PAGE 02 JIDDA 05032 01 OF 02 081818Z

(3) DEVELOPING OF TRANSPORT; AND STRUCTURING THE STAFF REQUIRED  
BY THE DEPUTY MINISTER TO CARRY OUT HIS RESPONSIBI-  
LITIES;  
(4) ESTABLISHMENT OF A REGULATORY FRAMEWORK FOR  
TRANSPORTATION IN THE KINGDOM: AND  
(5) OTHER ASSIGNMENTS RELATED TO THE DEPUTY  
MINISTER'S TRANSPORTATION JURISDICTION.

POSITIONS TO BE PROVIDED DURING THE FIRST YEAR  
OF THE PROJECT ARE:

A. LONG-TERM:

(1) PROJECT COORDINATOR, WHO WOULD PROVIDE  
LIAISON, MONITOR THE ACTIVITIES OF THE SYSTEMS  
MANAGEMENT TEAM, AND FACILITATE THE PROVISION OF  
SHORT-TERM PERSONNEL;  
(2) TRANSPORTATION PLANNER, WHO WOULD PROVIDE  
PLANNING AND ECONOMIC ASSISTANCE AND CONSULT ON  
DEVELOPMENT OF MINISTRY STAFF;  
(3) A FIVE-MAN SYSTEMS MANAGEMENT TEAM,  
WHICH WOULD BE PROVIDED BY DOT, FOR THE PRIMARY  
INITIAL PURPOSE OF OVERSIGHT OF THE BUS COMPANY, BUT  
AVAILABLE FOR OTHER AREAS OF TRANSPORTATION UNDER  
THE DEPUTY MINISTER OF MOC  
USING CONTRACTED ASSISTANCE, WOULD TENTATIVELY  
CONSIST OF A SYSTEMS MANAGEMENT SPECIALIST, A TRANS-  
PORTATION ECONOMIST, A FINANCIAL ANALYST, A TRANS-  
PORTATION SYSTEM ANALYST, AND AN ADMINISTRATION  
SPECIALIST.

B. SHORT-TERM:

A MINIMUM OF THREE SHORT-TERM SPECIALISTS  
WOULD BE PROVIDED CHOSEN FROM THE FOLLOWING DISCIPLINES:  
CONSTRUCTION; DESIGN AND MAINTENANCE; PURCHASING;  
COST CONTROL; INDUSTRIAL ENGINEERING; AND LABOR.

UNCLASSIFIED

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PAGE 03 JIDDA 05032 01 OF 02 081818Z

2. INCLUDE AS SECOND SENTENCE IN ARTICLE 8 THE  
FOLLOWING: "THE TOTAL COST FOR THE FIRST YEAR OF  
THIS PROJECT IS ESTIMATED TO BE \$2,200,000 AND  
THE FIRST-YEAR BUDGET FOR THIS PROJECT IS ATTACHED  
AS ANNEX A AND IS HERETO MADE AN INTEGRAL PART OF  
THIS AGREEMENT". BUDGET IS AS PREPARED BY WASHINGTON  
WITH THREE ADDITIONS: (A) 3 SHORT-TERM PERSONNEL  
\$256,000; (B) REPAYMENT OF \$145,000 IN HIGHWAY FUNDS;  
AND (C) FUNDS FOR DOT TO SECURE OFFICE SPACE AND  
CLERICAL ASSISTANCE, \$105,000 FOR A TOTAL OF  
APPROXIMATELY \$2.2 MILLION.

3. HARMON AND WALKER AND USREP OFFICIALS HAVE  
SPENT CONSIDERABLE HOURS WITH MINISTRY OF COMMUNICA-  
TIONS OFFICIALS DURING H/W TWO VISITS ON DETAILS  
OF THIS PROJECT AND HAVE PRESSED FOR AGREEMENT. THERE  
IS AN UNDERSTANDING WITH MOC ON WHAT PROJECT ENTIALS.  
IT WILL START WITH OVERSIGHT OF BUS COMPANY, BUT AS  
HAS BEEN THE CASE OF MANY OTHER PROJECTS, WILL EVOLVE  
INTO OTHER AREAS. SAG OFFICIALS HAVE WANTED TO KEEP  
THE AGREEMENT FLEXIBLE TO ENABLE THE DOT TO RESPOND  
TO THE SEVERAL AREAS UNDER DEPUTY MINISTER KAYAL'S

JURISDICTION. THERE IS, HOWEVER, SPECIFIC AGREEMENT WITH THE MOC ON THE SEVEN LONG-TERM POSITIONS TO BE RECRUITED DURING THE FIRST YEAR AND ON THE RESPONSIBILITIES OF THESE POSITIONS. ALSO THERE IS AGREEMENT THAT THE THREE SHORT-TERM PERSONS WILL PROVIDE EXPERTISE IN KAYAL'S AREAS OF JURISDICTION AS NEEDED.

4. SAUDI COORDINATOR HAS ADVISED US HE PREFERS TO SIGN PROJECT AGREEMENT RATHER THAN HAVE EXCHANGE OF LETTERS AND THAT HE HAS COMMUNICATED THIS TO BOWDEN TODAY. WE WILL MEET WITH HIM ONODAY, JULY 10, TO GO OVER PROPOSED PROJECT AGREEMENT. DR. KAYAL HAS CLEARED CHANGES IN AGREEMENT ABOVE.  
UNCLASSIFIED

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PAGE 04 JIDDA 05032 01 OF 02 081818Z

5. IN CASE DECISION FINALLY EVOLVES THAT THERE SHOULD BE EXCHANGE OF LETTERS WE WOULD PROPOSE LANGUAGE AS FOLLOWS:  
LETTER FROM USREP DIRECTOR TO DR. KAYAL AND DR. AL-TURKI:

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PAGE 01 JIDDA 05032 02 OF 02 081832Z  
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DEPT OF TRANSPORTATION NIACT IMMEDIATE  
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UNCLAS SECTION 2 OF 2 JIDDA 5032

AS A RESULT OF RECENT DISCUSSIONS, I BELIEVE

WE AGREE THAT THE PROJECT AGREEMENT FOR TRANSPORTATION (TRANSNET) SHOULD BE SIGNED AT THE JOINT ECONOMIC COMMISSION MEETING SCHEDULED FOR NOVEMBER SO AS TO PERMIT THE PUBLICITY WHICH AN IMPORTANT PROJECT SUCH AS THIS DESERVED. IT IS ALSO MY UNDERSTANDING, HOWEVER, THAT WE AGREE IT IS HIGHLY DESIRABLE TO BEGIN IMPLEMENTATION OF THE PROJECT AS SOON AS POSSIBLE.

I THEREFORE RECOMMEND THAT THIS MEMORANDUM BE MUTUALLY ACCEPTED AS AUTHORIZING THE FOLLOWING ACTIVITIES UNDER THE PROJECT:

- RECRUITMENT OF SEVEN LONG-TERM U.S. EXPERTS IN THE FIELDS OF TRANSPORTATION PLANNING, COORDINATION, SYSTEMS MANAGEMENT, ECONOMICS, FINANCE, SYSTEMS ANALYSIS, AND ADMINISTRATION, AS SOON AS POSSIBLE;
- ESTABLISHMENT OF AN OFFICE IN THE DEPARTMENT OF TRANSPORTATION CONSISTING OF ONE PROFESSIONAL AND WITH SUPPORT FROM A CLERICAL PERSON.

TO FINANCE THESE ACTIVITIES \$2.2 MILLION (OR WHATEVER MINIMUM AMOUNT IS ACCEPTABLE TO WASHINGTON)

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PAGE 02 JIDDA 05032 02 OF 02 081832Z

SHOULD BE DEPOSITED IN THE TRUST ACCOUNT TO COVER THE APPROXIMATE ANNUAL COSTS OF THE ABOVE. IN MAKING THESE RECOMMENDATIONS, WE UNDERSTAND THERE IS AGREEMENT IN PRINCIPLE ON ALL ELEMENTS OF THE PROJECT INCLUDING:

- THE GENERAL TERMS OF THE DRAFT PROJECT AGREEMENT AND THE SCOPE OF THE WORK TO BE CONDUCTED UNDER IT AND
- THE PROPOSED BUDGET FOR THE FIRST YEAR OF THE PROJECT.

APPROVED BY: (TO BE SIGNED)

DR. AL-TURKI

DR. KAYAL

6. REQUEST INSTRUCTIONS ON ABOVE. IF POSSIBLE WE WOULD LIKE TO HAVE ADVICE ON COURSE OF ACTION BY MONDAY A.M. JULY 10, RIYADH TIME, TO ENABLE AGREEMENT WITH DR. AL-TURKI ON NEXT STEPS. AL-TURKI LEAVING COUNTRY ON THURSDAY A.M., JULY 13, NOT TO RETURN UNTIL END OF MONTH. ASSUMING SAUDI COORDINATOR APPROVAL OF PROJECT AGREEMENT AND WASHINGTON GO-AHEAD, WE WOULD ENVISAGE SIGNING OF AGREEMENT (OR EXCHANGE OF LETTERS) ON TUESDAY OR WEDNESDAY, JULY 11 OR 12.

7. AS FOR QUESTIONS OF PARTICIPATION OF U.S. FIRMS IN THE OPERATION AND MANAGEMENT OF THE BUS COMPANY,

USREP AND HARMON AND WALKER HAVE COORDINATED EACH STEP OF THIS WITH THE EMBASSY, INCLUDING TRANSMISSION OF MANSOURI'S TELEXES. IF THERE IS ANY DOUBT AMONG POTENTIAL U.S. INVESTOR-OPERATORS ON WHOM THEY SHOULD CONTACT, PLEASE ADVISE THE EIGHT FIRMS THAT AS IN ALL CASES, THE U.S. EMBASSY HAS THE PRIMARY UNCLASSIFIED

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PAGE 03 JIDDA 05032 02 OF 02 081832Z

RESPONSIBILITY FOR DEVELOPMENT OF COMMERCIAL OPPORTUNITIES. AT THE SAME TIME, BECAUSE OF THE UNUSUAL WAY IN WHICH THIS PROJECT DEVELOPED, THE DOT REPRESENTATIVES AND USREP WORKING IN CLOSE CONCERT WITH THE EMBASSY WILL PROVIDE AS MUCH HELP AS IN POSSIBLE AND APPROPRIATE.

7. DR. KAYAL ADVISED US OF TWO THINGS TONIGHT RE U.S. FIRMS; (AA) REPS, OF U.S. FIRMS WILL BE EXPECTED TO BE IN TAIF ON AUGUST 8 OR 9 TO DISCUSS PROJECT WITH MINISTER MANSOURI AND SHOULD MAKE HOTEL RESERVATIONS IMMEDIATELY (B) PLEASE PROVIDE MOC WITH MANES OF REPS. WHO WILL BE COMING TO SAUDI ARABIA SO THAT DR. AKYAL CAN WRITE MINISTER OF INTERIOR RE VISAS IF SUCH ASSISTANCE IS REQUIRED.  
WEST

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## Message Attributes

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**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 jul 1978  
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**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Original Handling Restrictions:** n/a  
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**Status:** NATIVE  
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**To:** STATE TRSY  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
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